

THE INDONESIAN JOURNAL OF BUSINESS ADMINISTRATION

Vol. 1, No. 9, 2012: 645-649

MAITRE PAN LUBRICANT MARKET PENETRATION STRATEGY IN EASTERN AUSTRALIA

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Abstract- MAITRE PAN Lubricant is the subsidiary of PT.MAITRE PAN, manufacturing and distributing high-quality lubricant to both the automotive and industrial customers. Over the years, MAITRE PAN Lubricant have expanded their business, exporting their product to other country such as Japan, China, and many other. In 2009, MAITRE PAN Lubricant enters the Australian market by exporting their product using country distributor called the Indolubricant. Facing many challenges from the market, MAITRE PAN Lubricant is now looking to penetrate the Australian market by focusing on the eastern region of Australia, finding the right market penetration strategy is the key to MAITRE PAN Lubricant's success. The market penetration strategy can be used to increase sales of the company's existing product in the existing market, the increase of sales can be done by increasing the customer's purchase, increase the customer's volume of use of the product, or finding new uses for the existing product.¹ In order to know which strategy that can be recommended for MAITRE PAN Lubricant, we will analyze the market attractiveness of Eastern Australia and the competitive advantage of MAITRE PAN Lubricant, we will also see the macro condition factor of Australia that will affect the lubricant business, the purpose of the analysis is to find the strength, weakness, opportunities and challenge of MAITRE PAN Lubricant in the market. The method that we are going to use is literature study, in-depth interview, and acquiring and analyzing secondary data. The result of the analysis will show us that there is a potential opportunity in the Eastern Australia's mining and agricultural industry segment for lubricant; this is due to the growth of both of those industries. The recommended strategy to approach the segments is the flanking and guerilla strategy. The flanking strategies are including the development of new product, lobbying, and adding new distribution channel, guerilla strategies are customer relationship management, website

improvement, and marketing program initiative. Each of those strategies has their own implementation steps and the implementation time's estimation is one year starting from July 2012.

Keywords: market penetration, lubricant flanking, guerilla

I. INTRODUCTION

PT. MAITRE PAN, first known as PT PRIMENA established on December 10 1957 is the Indonesia State Owned oil & gas company (National Oil Company). In 1968 a merger occurred with PN PRIMENTA changing the company name it to PN PT. MAITRE PAN, and with the enactment of Law 8 of 1971 the company became PT. MAITRE PAN and On October 9 2003 changed its legal status to PT. MAITRE PAN.²

The MAITRE PAN Lubricant is a subsidiary of PT.MAITRE PAN, as part of PT.MAITRE PAN downstream activities, serving both the automotive and the industrial market with their product such as Fastron, Mesran and Mediteran.PT. MAITRE PAN lubricant distributed their product across Indonesia with their lubricant agent, divided by eight marketing unit: Medan, Palembang, Surabaya, Makassar, Jakarta, Jayapura, Semarang, and Kalimantan region. PT. MAITRE PAN Lubricant also established their own retail store for lubricant called the Olimart.³

MAITRE PAN Lubricant has expanded their product distribution overseas and in 2010 officially entering the Australian market, after

¹ Dann & Dann, Competitive Marketing Strategy, Pearson Education Australia, Australia, 2007

² <http://www.pertamina.com>

³ <http://www.pertaminalubricant.com>

two years, MAITRE PAN Lubricant is looking forward to penetrate the Australian market focusing on the Eastern region. This research paper is focusing on identifying the strength, weakness, opportunity, and challenge for MAITRE PAN Lubricant by analyzing market attractiveness, competitive advantage, and macro condition in Australia, the purpose is to finding the potential segments and strategies that can be recommended to MAITRE PAN Lubricant.

II. BUSINESS ISSUE EXPLORATION

The analysis in this paper will be divided by three parts; the market attractiveness, competitive advantage, and macro condition analysis. The result of the analysis will be use to determine which strategy that can be recommended to MAITRE PAN Lubricant.

A. Conceptual Framework

Figure 2.1 Conceptual Framework

B. Data Analysis Methodology

The research methodology is conducted by using a qualitative approach, the methods that are used in this research include:

1. Analysis data from literature study, to find out the market penetration strategy for MAITRE PAN Lubricant
2. Qualitative analysis, to find out the market attractiveness of Eastern Australia by analyzing market segmentation and customer buying behavior,
3. Qualitative analysis to determine MAITRE PAN Lubricant competitive advantage by analyzing competitor's

strategy, and MAITRE PAN Lubricant internal condition

C. Data Collection

The data collection conducted in this research include:

1. Literature study is conducted from books, papers, journals and cases review, to understand the market penetration concepts and types of strategy that can be use to penetrate a market.
2. In-depth interview with MAITRE PAN Lubricant representative to understand the current internal condition of MAITRE PAN Lubricant and the market and customer condition of Eastern Australia.
3. Media content analysis, to acquire data about the macro condition of Australia, and competitor benchmarking

D. Analysis of Business Situation

In order to understand the market attractiveness of Eastern Australia we analyze market segmentation by first understanding their current condition and potential in Eastern Australia the segments are the automotive, trucking, mining, agriculture, marine, and manufacturing segment. We also need to understand the buying behavior of lubricant customers, which can be categorized into several categories; general, automotive, mechanics, and industrial.

In order to determine the competitive advantage of MAITRE PAN Lubricant, we analyze the performance of MAITRE PAN Lubricant in Australia and the competitor's current strategy by exploring their activities through their company website and media sources; we also analyze the Australia macro condition to further our understanding about the Australian market. Based on the analysis, we have determined the MAITRE PAN Lubricant strength and weakness as follows;

Table 2.1 MAITRE PAN Lubricant Strength and Weakness

| Strength | Weakness |
|--|------------------------------|
| Cost Advantage | Lack of marketing initiative |
| High-Quality lubricant | Lack of market presence |
| PT. MAITRE PAN Lubricant fits with Australian standard | Marketing intelligence |
| | Technological roadmap |

MAITRE PAN Lubricant's competitive advantage lies in their pricing strategy and quality where they put lower price than their competitor such as Shell or Caltex, since in two years of operation in Australia MAITRE PAN Lubricant only serve workshops and mechanics, price is still an advantage, and because they have only operated for two years, there is only little marketing efforts and presence, this is also due to their financial performance in Australia. We also determined the opportunity as follows;

Table 2.2 MAITRE PAN Lubricant Segment Opportunity

| SEGMENT | OPPORTUNITY |
|-------------|---|
| TRUCKING | Growing industry |
| MINING | Strategic industry for eastern australia and australia, Growing industry, support from government |
| AUTO | Growing industry |
| MANUFACTURE | Growing industry |
| FARMING | Strategic industry for eastern australia, Growing industry |
| MARINE | Constant growth industry |

We also determined the challenge that MAITRE PAN Lubricant has to face in the Eastern Australia market, as follows;

Table 2.3 MAITRE PAN Lubricant Segment Challenge

| SEGMENT | CHALLENGE |
|-------------|--|
| TRUCKING | Long term agreement Existing competitor Our product not much as competitor |
| MINING | Long term agreement Existing competitor Our product not much as competitor |
| AUTO | Long term agreement saturated market Existing competitor Our product not much as competitor |
| MANUFACTURE | Long term agreement Existing competitor Our product not much as competitor |
| FARMING | Long term agreement Existing competitor Our product not much as competitor |

| | |
|--------|--|
| MARINE | Long term agreement Existing competitor Our product not much as competitor |
|--------|--|

In terms of customer buying behavior, based on the in-depth interview that we have done, we found that the Australian general buying behavior as follows:

1. Value for money; willing to pay high price for a product or service to fulfill their needs,
2. Emotional Attachment; Australian customer often choose product that they know best, Because of this kind of behavior, marketing initiative and customer relationship management program are essential in the Australian market,
3. High awareness of health and environmental issues;
4. Early adopters; Australian customers are technologically savvy and fond of new product and innovations,
5. Europe oriented; Australian customers often follow the trend in Europe when choosing which product to purchase or service to use.
6. The car owner is willing to pay a high price for product that will satisfy their needs, and choose lubricants that are recommended by their mechanics
7. Mechanics are price sensitive customers, and often recommend lubricant from companies that gives them incentives
8. Industrial customers buys lubricant in bulk and often looking for good technical services and tactical benefit from lubricant manufacturers.

After all aspect of the analysis are done, we can determine the two segment that have the most potential for MAITRE PAN Lubricant, as follows;

Table 2.4 MAITRE PAN Lubricant Potential Segment

| Situational Variables | Mining & Agriculture |
|------------------------|---|
| Market Characteristics | Strategic industry in Eastern Australia Promising growth industries The industries usually needs large quantities, quality oriented, usually signing long-term contract to buy lubricant supplies |

| from one company | |
|-----------------------------|---|
| Competitors Characteristics | There are some player on this market (Shell, Caltex, Fuchs, BP, Harrison, Exxonmobil). Competitor has relatively strong resources and competencies Competitor already established on this market Some of competitor already have long term agreement with industries. |
| Firm's Characteristics | PT. MAITRE PAN doesnt have long term agreement with companies PT. MAITRE PAN has limited resources for marketing activity. PT. MAITRE PAN's types of product not as much as competitor |

By using the analysis result data, we can determine the market penetration strategies that can be recommended to MAITRE PAN Lubricant

III. BUSINESS SOLUTION

Based on the analysis we can determine several key points; the competitor has stronger marketing power, presence, and possibly resource, mining and agricultural sector are identified as a potential market, Australian customers have high buying power (we determined this by looking at the economic growth of Australia) and easily adapted to new things.

A. Alternative Solution

There are three kind of strategy that a company can apply; the first one is the frontal attack strategy, the flanking strategy, and guerilla strategy. Frontal attack can be used when our company's position is stronger in terms of resource and there is only a little brand in the market, meanwhile the flanking and guerilla strategy criteria are the opposite of frontal attack, the competitor are stronger than our company in terms of resource and presence, and there many brand inside the market.⁴

⁴ Walker., Mullins., Boyd., and Larreche, *Marketing Strategy-a Decision Focused Approach* 5th Edition, McGraw-Hill International, New York, 2003

B. Recommended Solution

Considering the market potential of mining and agricultural sector and their market characteristics, we recommended that MAITRE PAN Lubricant uses the flanking and guerilla strategy. Flanking strategy is a marketing strategy to capture markets that are currently underserved by the competitors; meanwhile guerilla strategy is a marketing strategy that is considered to be unusual or unconventional, guerilla marketing usually has smaller budget and only involving small number of people in specific location.

The flanking strategies that we propose are:

1. development of new product,
2. company lobbying, and
3. adding new distribution channel

Meanwhile the guerilla strategies that we propose are:

1. Using customer relationship management program
2. Website content improvement
3. Use more marketing initiatives

Each of these strategies has their own implementation steps and the next section will contain the implementation steps for the recommended strategy.

IV. IMPLEMENTATION PLAN AND CONCLUSION

In this section, we will see the implementation steps for each of the strategies as well as the conclusion of this research paper

A. Implementation Plan

The implementation steps for the development of new product are as follows;

1. Conduct market research to find unmet need of lubricant variant
2. Assess MAITRE PAN Lubricant financial and research and development capabilities
3. Implement research and development
4. Determining distribution channel
5. Distribute product

The implementation steps for company lobbying are as follows;

1. Conduct market research to determine which company that have yet to engage

- in an agreement with other lubricant company
- 2. Arrange lobbying
- 3. Form an agreement
- 4. Distribute product and maintain good relationships

The implementation steps for new distribution channel are as follows;

1. Assess MAITRE PAN Lubricant financial performance and determine if whether adding new distribution channel is possible or not
2. If possible, determine channel and designing product packaging
3. Distribute to the new channel, possibly a retail store
4. Maintain good relationship

The implementation steps for customer relationship management program are as follows;

1. Assessing the current customer's needs and tendencies
2. Assessing PT. MAITRE PAN Lubricant's current financial condition
3. Designing customer relationships management program
4. Implementation
5. Program assessment

The implementation steps for website content improvement are as follows;

1. Assessing PT. MAITRE PAN Lubricant's current financial condition
2. Assigning the right IT human resource to handle the website improvement
3. Selecting the website content; PT. MAITRE PAN Lubricant's history, events, comprehensive product information, international expansion, etc
4. Implement improvement on the website
5. Continuous website maintenance and updates

The implementation steps for marketing initiatives are as follows;

1. Assessing PT. MAITRE PAN Lubricant's financial condition
Assessing Eastern Australia's behavior and tendencies
2. Designing marketing initiatives that is aligned with PT. MAITRE PAN Lubricant's current financial condition and customer behavior

The key resource to all of this strategy are mostly the financial resources, MAITRE PAN Lubricant must choose the strategy that is fit their current financial resources, meanwhile the key partner is the researcher to gather market intelligence information about the product, customer tendencies, industry information, etc, and the distribution channel. All of this strategy actually has similar goals; to increase sales and increase the brand awareness of MAITRE PAN Lubricant. The implementation plan is estimated for 1 year period, although this is just estimation, the actual timeline may be different.

B. Conclusion

This research shows us that the Australian lubricant market is full of strong and established major player competitors, and for follower like MAITRE PAN Lubricant, entering and penetrating the market will be a difficult task to do if we don't have enough resources.

In order to survive in the Australian lubricant market, having a good product is not enough, the company must also use many marketing initiative to build and communicate their brand to the market as well as using continuous innovation the meet market demands.

The mining and agricultural sector are a potential market in the Australian market because of their industry growth and has becoming strategic industry for Australia, thus providing opportunity for MAITRE PAN Lubricant to start become a player in this sector. We can compensate the disadvantageous position of MAITRE PAN Lubricant in the Australian market by using the flanking strategy to attack the weak points of the competitors, and the using unusual marketing effort (guerilla strategy) to market out brand.

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